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No. 1012

In the
Supreme Court of the United States
OCTOBER TERM, 1968

NATIONAL SPONGE CUSHION CO., INC.,
Petitioner,

vs.

ALLEN INDUSTRIES, INC. and
COLONIAL RUBBER WORKS, INC.,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioner prays that a Writ of Certiorari issue to review the decision of the United States Court of Appeals for the Third Circuit in this cause.

OPINIONS BELOW

The opinion of the Court of Appeals (Appendix B, *infra* 3c)* is reported at 403 F.2d 717.

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* In this petition, the following abbreviations are used:
"a"—page of petitioner's appendix in Court of Appeals
"b"—page of respondents' appendix in Court of Appeals
"c"—page of appendices to this petition

The opinion of the District Court for the District of New Jersey (Appendix D, *infra* 5c-28c) which was adopted and approved by the court below is reported at 292 F. Supp. 504.

The conflicting opinion of the U. S. Court of Appeals for the Ninth Circuit in *National Sponge Cushion Co., Inc.* v. *Rubber Corporation of California* (Appendix E, *infra* 29c-39c) is reported at 286 F.2d 731 (1961), certiorari being denied at 368 U.S. 976 (1962).

JURISDICTION

The Judgment of the Court of Appeals was entered November 27, 1968 (Appendix C, *infra* 4c). A timely petition for rehearing was denied December 31, 1968. The mandate of the Court of Appeals has been stayed until February 6, 1969, pending the filing of this petition.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTIONS PRESENTED

The ultimate question presented is the resolution of the conflict as to validity of United States Patent 2,740,739, which has been held **valid** by the Court of Appeals, Ninth Circuit, but has been held **invalid** in this case by the Court of Appeals, Third Circuit. The underlying fundamental questions are:

(a) Whether the district court effectively denied this petitioner, patent owner, its constitutional right to trial by jury, and thus its constitutionally-based patent right without due process, by substituting itself as the trier of fact where there is substantial evidence to sustain the jury's verdict that the patent in suit is valid.

(b) ". . . whether the jury function in passing on disputed questions of fact and in drawing inferences from proven facts has been respected."*

(c) Whether a trial court may enter judgment notwithstanding the verdict where there are controverted issues of material fact without showing that, or even considering whether, reasonable men could not have reached the verdict of validity returned by the jury.

(d) Whether "non-obviousness" of patented subject matter under 35 U.S.C. § 103 is a question of fact as recently held by several circuits or solely a question of law as inferentially held in the instant case and by other circuits.

(e) Should this Court hold that "non-obviousness" is solely a question of law, whether a trial court may upset the verdict of a jury, which had been properly instructed under the "non-obviousness" guidelines of *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966) and independently reevaluate the evidence and the issue of "non-obviousness" without itself strictly following these same guidelines.

CONSTITUTIONAL PROVISIONS, STATUTES AND RULES INVOLVED

This case involves Clause 8 of Section 8, Article I, and Amendment VII of the Constitution of the United States; Section 103 of Title 35, United States Code; and Rule 38(a) of the Federal Rules of Civil Procedure (Appendix A, *infra* 1c-2c).

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* Quoted from the concurring opinion of Justice Douglas in *Wilkerson* v. *McCarthy*, 336 U.S. 53, 71 (1949).

STATEMENT OF THE CASE

This case originated as an action for declaratory relief under 28 U.S.C. § 2201 in the District Court of New Jersey, jurisdiction being based upon 28 U.S.C. § 1338(a).* Respondents (alleged infringers) sought to have petitioner's patent (2,740,739) declared invalid and not infringed, and petitioner counterclaimed for infringement (53a). Validity of the patent has been previously upheld and infringement decreed by a jury in California and by the Court of Appeals for the Ninth Circuit in *National Sponge Cushion Co., Inc.* v. *Rubber Corporation of California,* 286 F.2d 731 (9 Cir. 1961), *cert. denied,* 368 U.S. 976 (1962). Validity and infringement thereof have also been admitted in several consent decrees (269a-270a). *The Mansfield Tire & Rubber Company* v. *National Sponge Cushion Co., Inc.,* 805 O.G. 615 (D.C. S.D.Cal. 1964); *National Sponge Cushion Co., Inc.* v. *The Mansfield Tire & Rubber Company et al.,* 808 O.G. 722 (D.C. S.D.Cal. 1964); *National Sponge Cushion Co., Inc.* v. *Sponge Cushion, Inc. et al.,* 808 O.G. 722 (D.C. S.D.Cal., decree entered Jan. 29, 1965).

The patent relates to an improvement in waffle-type sponge rubber carpet padding or "Carpet Underlay" (8c-9c). The patented product is produced and sold by petitioner nationally (140a). Rights under the patent are licensed to several other companies (185a-187a).

Petitioner made a timely jury demand which was much criticized by the trial court (2a, 26a-35a, 40a, 46a-47a). Petitioner refused to waive its jury demand and the case

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* On the same day, February 4, 1965, petitioner had filed an action for infringement against respondent Allen and others in the United States District Court, Southern District of California (now Central District), No. 65-185 FW. That action is still pending.

was tried to a jury in April 1966. The trial court, with the approval of respondents, carefully followed *Graham* v. *John Deere Co., supra,* in instructing the jury on "non-obviousness" and specifically set forth the three "basic factual inquiries" of *Graham* for the jury's consideration (Appendix F, *infra* 40c-42c). Midway during the jury's nine hours of deliberations, the court, at the jury's request, repeated its instructions on non-obviousness and again included the three "basic factual inquiries" of *Graham* as the "background" against which "the obviousness or non-obviousness of the subject matter is to be determined" (Appendix F, *infra* 43c-44c).

With no knowledge of the prior favorable adjudication and in the light of *Graham* guidelines, the jury found that all claims of the patent are valid and that one of the claims is infringed by certain of respondents' products (230a-234a). The issue of damages was resolved by agreement without submission to the jury (187a-188a, 201a-202a, 235a-237a).

On May 9, 1966, respondents moved for judgment notwithstanding the verdict (6a, 237a-238a). On July 12, 1967, **fifteen months after the jury's verdict,** the court substituted its findings for those of the jury. It found the patent "invalid for failure to meet the test of non-obviousness. . . . 35 U.S.C. § 103" (13c, 28c), although acknowledging (28c) petitioner's

> ". . . evidence on such secondary considerations as commercial success, unsolved need, failure of others, and licensing agreements which are relevant indicia of non-obviousness . . ."

The jury's finding of infringement was not disturbed except that judgment of non-infringement was entered

"by reason of its [the patent's] invalidity (267a). No mention was made of the conflict with the Ninth Circuit.

In upsetting the jury's verdict, the court acknowledged the delicate balance that must be maintained in the allocation of functions between the judge and the jury (12c). But, petitioner submits, the court then went on to treat the issue of non-obviousness **de novo** as if there had been a bench trial. It acted as the trier of fact in a jury case. Even on this basis it erred by selecting evidence most favorable to respondents and by denigrating or ignoring substantial evidence to the contrary. It concluded (28c):

> "The evidence convinces us . . ."

Conspicuous by their absence are such phrases as "Taking the evidence in the light most favorable to the defendant [petitioner]" or "Reasonable men could not have found the fact to be" or "There are no controverted issues of fact" or "palpable error" or other phrases of similar import which would have reflected recognition of the proper standards in passing on a motion for judgment n.o.v. *Lavender* v. *Kurn,* 327 U.S. 645, 652, 653 (1946); *Wilkerson* v. *McCarthy,* 336 U.S. 53, 57 (1949).

But even in making its own independent evaluation of the evidence, the court departed from the "basic factual inquiries" of *Graham* v. *John Deere Co., supra,* for evaluating non-obviousness. Although having twice instructed the jury to consider (41c, 43c):

> "3. The level of ordinary skill in the pertinent art involved in the year 1952",

the court ignored this inquiry in its own independent evaluation of the "basic **factual** inquiries" of *Graham.*

On appeal, petitioner raised the same questions presented in this petition, stressing in particular the abundant and persuasive evidence supporting the jury's verdict upholding the patent and the effective denial of petitioner's constitutional right to trial by jury.

In a four-sentence per curiam opinion, the Court of Appeals failed to deal with the fundamental issues raised on appeal and affirmed the order of the district court on its opinion (Appendix B, *infra* 3c). Again no mention was made of the conflict with the Ninth Circuit.

Petition for rehearing was denied without opinion.

REASONS FOR ALLOWANCE OF THE WRIT

The Ultimate Question: The Conflict in the Third and Ninth Circuits as to Validity

The conflict as to validity in the Third and Ninth Circuits presents unresolvable problems to petitioner and the carpet padding industry and represents the primary circumstance in patent cases which motivates this Court to grant certiorari. *Eibel Process Company* v. *Minnesota & Ontario Paper Company,* 261 U.S. 45, 47 (1923); *Thomson Spot Welder Company* v. *Ford Motor Company,* 265 U.S. 445 (1924); *Sanitary Refrigerator Company* v. *Winters et al.,* 280 U.S. 30, 34 (1929); *Cuno Engineering Corp.* v. *Automatic Devices Corp.,* 314 U.S. 84, 85 (1941); *Dow Chemical Co.* v. *Halliburton Oil Well Cementing Co.,* 324 U.S. 320, 322 (1945); Rule 19.1(b) of this Court.

Petitioner, present licensees and prospective licensees are making, using and/or selling the patented product throughout the United States. If the conflict as to validity is not resolved by this Court, it will cause confusion and present dilemmas of great practical and legal consequence.

If this Court declines review, the product claimed in the patent is a patented product in the Ninth Circuit but will be an unpatented product in the Third Circuit. Under such circumstances, are manufacturers, users or sellers free to practice the invention in the Third Circuit but not in the Ninth Circuit? If the product is manufactured in the Third Circuit, can it be sold or used in the Ninth Circuit without a license? If the product is sold or used in the Third Circuit, can it be manufactured in the Ninth Circuit without a license? What is the situation in the other circuits?

What representations can the petitioner now make as to the patented nature of its product to the public or prospective licensees? If petitioner continues to mark its nationally-distributed product as a patented product in compliance with 35 U.S.C. § 287, would such marking be misleading in the Third Circuit? Would petitioner be guilty of "False Marking" under 35 U.S.C. § 292?

This confusing situation and conflict can only be resolved by this Court granting the present petition.

Underlying Questions (a), (b) and (c):
Effective Denial of Right to Trial by Jury

This Court has repeatedly spoken on the right of litigants to trial by jury under Amendment VII of the U. S. Constitution and has upheld that right against procedural deprivation, *e.g., Beacon Theatres* v. *Westover,* 359 U.S. 500 (1959); *Dairy Queen* v. *Wood,* 369 U.S. 469 (1962). The inviolate nature of the right is reflected in Rule 38(a), Federal Rules of Civil Procedure. When one exercises that "right" in patent cases, however, it is too often viewed with derision and suspicion at the trial level, despite the long history of juries in patent cases, *e.g.,*

Hotchkiss v. *Greenwood,* 52 U.S. 248 (1850); *Keyes* v. *Grant,* 118 U.S. 25 (1886); and the repeated recognition of the jury function in such cases, *e.g., Wood* v. *Underhill et al.,* 46 U.S. 1, 5, 6 (1847); *Battin et al.* v. *Taggert et al.,* 58 U.S. 74, 84 (1854); *Tucker* v. *Spalding,* 80 U.S. 453, 455 (1872); *Thomson Spot Welder Company* v. *Ford Motor Company,* 265 U.S. 445, 446 (1924); *U. S.* v. *Esnault-Pelterie,* 299 U.S. 201, 207 (1936).

In this case, the jury demand was repeatedly criticized by the court, and petitioner was penalized for refusing to waive its right to a jury, as detailed hereinafter. When petitioner won a favorable verdict, the right became an illusion. The court proceeded (after a 15-month delay) to upset the jury verdict, based on its own independent evaluation of the evidence, as established by its own opinion. It clearly did not observe the proper guidelines in passing on motions for judgment n.o.v., reflecting its mistrust of juries in patent cases.

The Trial Court's Criticism of the Jury Demand

In its opinion granting respondents' motion for judgment n.o.v., the court remarked (5c):

> "Defendant [Petitioner] was **most insistent** upon exercising its right to a jury trial. **Consequently,** a jury was impaneled . . ."*

There is a history behind this remark.

At the first preliminary hearing (September 20, 1965) after the timely jury demand was made, the court stated that it was "quite surprised" by the jury demand and that this (26a-28a):

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* Emphasis in quotations added throughout this petition.

> ". . . is just the type of case that **should never be tried by a jury** at all, I think it is **asinine** to try a case of this nature before a jury. **I use that word advisedly**. . . ."

The court further observed in connection with the task of evaluating the invention in the light of prior art patents (28a):

> ". . . How can a jury **possibly** do anything of the **sort?**"

In further discussing the ability of jurors (29a-34a), the court stated (30a):

> "The Court: Nobody can convince me that somebody who is a bus-driver or somebody who is a school-teacher or somebody who has a minor accounting position or even a major one can come in here absolutely unacquainted with matters of patents . . . and come out with an intelligent verdict, that twelve of them can. **I think it is impossible.**"

Petitioner's counsel inquired whether the court felt that patent cases should not be tried to a jury. The court stated (30a):

> "The Court: I can't make such a ruling. **I do feel it is silly,** but I am not in a position to lay down a regulation to that effect."

Petitioner's counsel stressed the unusual simplicity of the patented subject matter in the present case (improved carpet padding) and drew a parallel with the ability of jurors to handle the technical complexity involved in evaluating negligence in certain personal injury cases; however, the court remained unconvinced (30a-32a):

"The Court: . . . **I don't think it is comparable . . . I think it is impossible.**"*

The court subsequently observed that if a jury can handle a patent case, "it is going to be **miraculous** . . ." (34a).

The court's attitude toward petitioner's jury demand was reflected throughout the proceedings. During the hearing of March 7, 1966, the court stated (46a-47a):

". . . I would assume that the depositions are not going to be read in great force **to this poor old jury** in this case, . . ."

* * *

"I hope I am not going to have a jury trial in this involved patent suit by deposition. **It is going to be bad enough** by witnesses being present."

Amendment to the Pleadings Denied Because Petitioner Refused to Waive Jury Demand

The trial court's attitude with respect to juries in patent cases was not academic. It affected the court's judgment and decisions.

On the day this suit was filed, petitioner sued respondent Allen and others for infringement of the same patent in the U. S. District Court at Los Angeles and also charged respondent Allen with related trademark infringement and unfair competition. Petitioner promptly moved in the New Jersey case to stay proceedings or to transfer the case to California, stressing that only in California are all three related issues before the court (8a-11a). In denying the motion, the court stated (12a):

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* Cf. *Graham* v. *John Deere Co.*, 383 U.S. 1, 18 (1966): ". . . The difficulties, however, are **comparable** to those encountered daily by the courts in such frames of reference as negligence and scienter, . . ."

> "The Court: . . . I am only saying those [trademark infringement and unfair competition] could be brought into issue here within a very short time **by just filing some sort of pleading with those issues in it**; so we avoid multiplicity of suits as to those suits by mere filing and bringing the issue here, . . ."

Subsequent evidence confirmed that the trademark and unfair competition issues arose out of the **same transactions** as the issue of patent infringement (42a-45a, 47a-47a[2]). Despite such additional evidence, despite the refusal to stay or transfer to California, despite the liberal policy of freely allowing amendments to pleadings, and despite the court's previous statement that these issues could be added, the court refused to grant petitioner's subsequent motion to do so unless petitioner waived its jury demand (13a-25a, 34a):

> "The Court: . . . **If this was not a jury trial,** I think I would stand on the words of that occasion and allow it. . . ."

As to counsel's contention that a jury was capable of handling both trademark and patent infringement issues in the same case, the court stated (31a, 34a):

> "The Court: You are a great expert with juries, but **you far exceed my enthusiasm on juries.**
>
> * * *
>
> "The Court: Obviously it is too complicated for them. . . ."

The September 20, 1965 hearing closed on the following note (40a):

> "The Court: On this question of your right to amend the pleadings and bring in the trade-mark, I

have given you that right **if you withdraw the jury** . . .

"Mr. Welsh: If we have a legal or constitutional right to it—

"The Court: Look, I have all kinds of right to sever or do anything I want, and I am not going to allow this to be super-encumbered with a lot of side issues.

"Mr. Welsh: We are talking about a constitutional right."

* * *

Thereafter, in view of certain changed conditions, petitioner again moved to stay or transfer the case, reiterating that only in California were all related issues before the court (42a-45a). The court dismissed this argument, stating (47a):

"The Court: Sure, they would have been in this suit **if there hadn't been a demand for a jury.**"

Petitioner submits that the trial court's opinion, reading as if the case had been a bench trial and granting judgment n.o.v. fifteen months after the jury trial, should be considered in the light of its stated views on juries in patent cases. The grant of certiorari will permit this Court to ascertain ". . . whether the jury function in passing on disputed questions of fact and in drawing inferences from proven facts has been respected." *Wilkerson* v. *McCarthy*, 336 U.S. 53, 71 (1949). It will also correct the misimpression that while the right to trial by jury is inviolate, it had best not be exercised in patent cases.

Underlying Question (d): "Non-obviousness"—A Question of Fact or Law?

The lower court, through its acceptance and approval of the district court's opinion, holds in effect that because "The **ultimate** question of patent **validity** is one of law. . . ." (12c), the **primary** question of **non-obviousness** is also a question of law. By so holding the lower court has reverted to the pre-*Graham* confusion which had developed during the century between *Hotchkiss* v. *Greenwood,* 52 U.S. 248 (1850), and *Graham.*

This confusion arose from the use of the word "invention" rather than "non-obviousness", and as *Graham* pointed out, it was the purpose of Congress, and the holding of *Graham,* to restore clarity by eliminating such phrases as ". . . the established standards of invention" as used by the trial judge here (12c). Congress substituted the sub-standard "non-obviousness" as a factual issue to be determined alongside novelty and utility to reach the ultimate question of patent validity (35 U.S.C. § 103).

The district court failed to observe the distinction between "invention" as "non-obviousness" and "invention" as "patentability". The district court proceeded on the assumption that the word "invention" had always been used in one sense only. Thus, when the district court refers to "established standards of invention" it falls into the erroneous syllogism that since "non-obviousness" is the new word for "invention" and "invention" formerly meant "patentability", "non-obviousness" now means "patentability" and thus remains a question for the court. This is a **non sequitur.** The repeated references in *Graham* to "facts", "factual inquiries" and "comparison" escaped the attention of the district court.

Of course, the "ultimate" question of **validity** may be for the court. "Ultimate" means "completed, last, final,— to come to an end, be last." This "ultimate" control is exercised by the court through its power to declare a district judge's finding "clearly erroneous" and its power to find that a jury's verdict is contrary to law (in the common law sense). But this process was not followed here. Instead, the facts were reviewed **de novo** by the district court.

The question as to whether "non-obviousness" is a question of fact or law is the primary basis of conflict and diversity of decision among the courts of appeals in patent cases today. Recent (1968) cases point up the spreading conflict and confusion.

It's a Question of Fact

In *Mahaffy and Harder Engineering Company* v. *Standard Packaging Corporation,* 389 F.2d 525, 530 (4 Cir. Jan. 1968), the court stated:

> "Since statutory obviousness is a question of **fact** . . . we could reverse the District Judge's finding here only if we were convinced that it was clearly erroneous. . . ."

In *Commissioner of Patents* v. *Deutsche Gold-und-Silberscheideanstalt Vormals Roessler,* 397 F.2d 656, 661 (D.C. Cir. May 1968), the court applied the clearly erroneous rule on the ground that obviousness

> ". . . is a **factual** conclusion based on a legal standard . . ."

In *Koppers Company* v. *Foster Grant Co.,* 396 F.2d 370, 372 (1 Cir. June 1968), and *General Instrument Corpora-*

tion v. *Hughes Aircraft Company,* 399 F.2d 373, 384 (1 Cir. July 1968), the court held that the determination whether a discovery

> ". . . is or is not obvious must be a question of **fact**. . . ."

In *The Porter-Cable Machine Company et al.* v. *The Black and Decker Manufacturing Company,* 402 F.2d 517, 519 (4 Cir. Sept. 1968), *cert. denied,* ..... U.S. ....., the court, relying on *Graham,* stated:

> ". . . the issues of prior art, anticipation, utility, **obviousness** and infringement . . . are **factual** [and] come within the commandment of Rule 52 F.R.Civ.P. . . ."

In the *The Eimco Corporation* v. *Peterson Filters and Engineering Company,* ..... F.2d ....., 160 USPQ 182, 186 (10 Cir. Dec. 1968) the court stated:

> ". . . obviousness as referred to in Section 103 is a question of **fact** for the trial court, which determination should not be set aside in the absence of clear error. . . ."

It's a Question of Law

In *Swofford* v. *B & W, Inc.,* 395 F.2d 362, 368 (5 Cir. May 1968), *cert. denied,* ..... U.S. ....., the Fifth Circuit concluded:

> ". . . that the ultimate issue under section 103 is one of **law** . . ."

and approved the district court's withdrawal of the issue from the jury.

In *Kaiser Industries Corp.* v. *McLouth Steel Corp.,* ..... F.2d ....., 158 USPQ 565, 571 (6 Cir. August 1968), the court held that:

> ". . . The ultimate distinction is one of **law** because it amounts to a determination of obviousness or nonobviousness. . . ."

The conflict between so many courts of appeals has led and is leading to major differences in administration of the patent laws in different circuits. The conflict cries out for a decision by this Court.

Underlying Question (e): The Failure of the Trial Court to Follow Graham

In his opinion the trial judge set forth three "inquiries" for evaluating non-obviousness (13c-14c) and then discussed each (14c-20c, 20c-25c, 25c-28c). The first two inquiries are identical to the first two "basic factual inquiries" of *Graham, supra.* But his third inquiry is not that of *Graham.* The trial judge stated (13c-14c):

> ". . . and (3) it must be determined whether the differences defined would have been obvious at the time of the claimed invention to a person having ordinary skill in the art . . ."

This is the ultimate question. *Graham* (at page 17) defines the third inquiry as:

> ". . . the level of ordinary skill in the pertinent art . . ."

and *Graham* specifically refers to this as a "factual" inquiry. *Graham* requires that this inquiry be made before the court can answer the ultimate question posed by the trial judge's third step. One can search the opinion in vain for any discussion of the "level of ordinary skill".

The omission of this third *Graham* inquiry is strange because fifteen months earlier the Judge twice properly instructed the jury (43c):

". . . you should consider . . .

"1. . . .

"2. . . . and

"3. The level of ordinary skill in the pertinent art involved in the year 1952.

"**Against this background** the obviousness or non-obviousness of the subject matter is to be determined."

Having provided the jury with the proper *Graham* guidelines for evaluating non-obviousness, the trial court was inconsistent in upsetting the jury's verdict more than a year later without itself strictly following the same guidelines. Since the requirements of *Graham* represent the primary guidance by this Court to the profession in resolving the most critical question in the field of patent law under the Patent Act of 1952, this departure from *Graham* should not be allowed to become the "leak in the dike", which will bring back the confusion of the pre-*Graham* days.

CONCLUSION

On the surface, we bring a patent case involving a direct conflict between decisions of the Third and Ninth Circuits as to validity. The case also involves unsettled fundamental issues which are leading to a growing diversity and conflict in the administration of the patent laws among the various circuits. Of greater importance, we bring the opportunity for this Court to decide whether a constitutionally-based patent right is being denied without due process. Petitioner submits that the jury function

has not been respected in this case and that petitioner has effectively been denied its right to trial by jury.

These patent and constitutional questions merit the consideration of this Court. Petitioner respectfully urges this Court to grant certiorari.

Respectfully submitted,

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January 31, 1969

CERTIFICATE OF SERVICE

Service of this Petition has been made upon Allen Industries, Inc. and Colonial Rubber Products, Inc., Respondents, by depositing a copy in a United States mailbox, first class postage prepaid, addressed to Don K. Harness, Esq., 700 Fisher Building, Detroit, Michigan, 48202, on January 31, 1969, and by depositing a copy in a United States mailbox, airmail postage prepaid, addressed to Robert M. Backes, Esq., 20 West State Street, Trenton, New Jersey 08608, on January 31, 1969. All parties required to be served have been served.

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Attorney for Petitioner